

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7146

BILL NUMBER: SB 340

NOTE PREPARED: Jan 22, 2009

BILL AMENDED:

SUBJECT: Renewable Biomass Fuel for Motor Vehicles.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Local Government Vehicle Fuel.* This bill requires local governments to use a fuel in their diesel fuel vehicles that is at least 5% diesel substitute fuel instead of 100% petroleum-based diesel fuel. It provides that substitute diesel fuel is fuel that is made with renewable biomass products, contains no sulfur or aromatics, results in a substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter, and yields at least a 50% reduction in lifecycle greenhouse gas emissions per unit of delivered energy in comparison to traditional diesel fuel. The bill phases in the requirement over four years by requiring fuel that is 2% substitute diesel fuel beginning July 1, 2011, 3% beginning July 1, 2012, 4% beginning July 1, 2013, and 5% beginning July 1, 2014.

Inspection and Certification Program. It creates an inspection and certification program administered by the Department of Agriculture (ISDA) with the assistance of the Department of Environmental Management (IDEM) and the State Department of Health (ISDH). The bill allows the ISDA to delay implementation for certain reasons.

Interim Study Committee. The bill establishes an interim study committee to study the feasibility and effectiveness of various forms of incentives to promote the development and use of diesel substitute fuel in Indiana.

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: *Inspection and Certification Program.* This bill would require the ISDA with the assistance of the ISDH and IDEM to establish an inspection and certification program for substitute diesel fuel. The ISDA can request the ISDH to assist in making inspections. Maximum additional

expenses to the state are estimated at \$690,000.

Expenses that could be incurred by the ISDA will depend on what role IDEM and the ISDH play. If the ISDA were to implement the program on its own and include the services of an attorney, costs could reach \$690,000. (See *Background Information*.)

The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Interim Study Committee. The bill establishes an interim study committee to study the feasibility and effectiveness of various forms of incentives to promote the development and use of diesel substitute fuels in Indiana. The committee must issue a final report before November 1, 2009, to the Legislative Council. The committee must operate under the policies governing study committees adopted by the Legislative Council. Total expenses for the committee could not exceed its budget, which is established by the Legislative Council. The budget for the 2008 interim was \$9,500 for committees with fewer than 16 members and \$16,500 for committees with 16 members or more. The study committee is funded from state General Fund appropriations to the Legislative Council and Legislative Services Agency (LSA).

Background Information.

Position	Salary Including Fringe Benefits
Chemist	\$78,957
Attorney	\$68,972
Administrative	\$49,263
Program Director	\$54,528
Subtotal	\$251,720
Other Costs	
Fuel @ \$2.50/gal & 50 gal/month.	\$1,500
Tcomm services prorated Central Office Rent.	\$30,597
Oil changes, minor car repairs (est \$300 annual), registration fees for training(est \$300 annual), Testing fees @\$1400 each--4 a month for each of 5 plants.	\$336,888
Misc Office Supplies.	\$1,000
Laptop (if replaced every 3 years), vehicle if replaced every 100k miles, toner, printers (replaced every 3 years) (ALL PRORATED).	\$67,476
In-State Travel to Promote Program.	\$1,000
Total	\$690,180

The ISDA reverted \$634,000 in FY 2008.

Explanation of State Revenues:

Explanation of Local Expenditures: *Local Government Vehicle Fuel.* The impact of the proposal on local governments is indeterminable, but would depend on current fuel and vehicle use and costs associated with the biomass fuel. Expenses could decrease if biomass fuel costs less than existing fuel sources.

Explanation of Local Revenues:

State Agencies Affected: ISDA, IDEM, ISDH, OEDD, LSA, Legislative Council.

Local Agencies Affected: Counties, cities, towns, townships, school corporations, public libraries, local housing authorities, fire protection districts, public transportation corporations, local building authorities, local hospital authorities or corporations, local airport authorities, special service districts, special taxing districts, or other type of local governmental corporate entity.

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